

# GUIDANCE NOTES FOR AWARDEES

<b>Date:</b>	17 <sup>th</sup> September 2009	<b>Version No:</b>	1
<b>Author:</b>	Peter Hunt, NSP Manager, IHCD A.	<b>Program:</b>	NSP1
<b>Issue:</b>	Acquisition of Property less than \$25,000 value		

---

In the NSP1 Bridge Notice issued by HUD, a substantive revision was made to the ruling regarding the regulation to meet the URA appraisal requirements when assessing the Current Market Appraised Value of a property which is to be acquired for NSP purposes. Paragraph D of the Substantive Revisions in the Bridge Notice makes the following statement:

HUD has determined that compliance with URA appraisal requirements is unnecessarily burdensome if the anticipated value of the proposed acquisition is estimated at \$25,000 or less and the acquisition is voluntary. Consequently, if the grantee determines that the anticipated value of the proposed acquisition is estimated at \$25,000 or less and the acquisition is voluntary, the current market appraised value of the property may be established by a valuation of the property that is based on a review of available data and is made by a person qualified to make the valuation

Therefore there is a need to clarify the requirements that awardees need to meet in order to ensure they are compliant with the wording of this revision. This note provides advice on how this regulation will be assessed by IHCD A on monitoring visits, and in particular with regards to the expectations of a “*review of available data*” as well as “*a person qualified to make the valuation*”.

## Value Under \$25,000 –

Awardees are cautioned in the application of this regulation merely as a way to avoid the more onerous requirements of a full appraisal. It is expected that awardees are able to demonstrate why they choose to pursue the lesser valuation route in their records, and be able to defend a position of trying to under value a property merely to save paying for a full appraisal. As such, it is expected that the awardee would have some form of record that the vendor of the property in question is in agreement that the valuation of the property is likely to be under \$25,000, thus justifying not undertaking the full appraisal. It is expected that HUD will wish this issue to be monitored more closely than usual as it is a relaxation of the usual procedure.

A simple email or letter would provide assurance for these purposes and protect against suggestions of improper conduct.

#### Available Data –

Awardees are required to use any datasets available locally to provide an indication as to the value of the property they wish to acquire. Suitable datasets may include the following:

- Comparable valuations for similar properties that have been appraised up to 60 days before the awardees' valuation.
- Sales prices for other similar properties in the immediate local area (within a 4-block radius) that have been sold within the past 60 days before the awardees' valuation.
- Market research on house prices for the local area (including the sub-division where the property to be acquired is located) carried out in the last 6 months (this can be indicative only and not a sole source of available data).
- Mean sales prices within the sub-division over the previous 60 days.
- Web-based search engines for property price comparisons.
- Any other dataset that is available to awardees subject to advance approval from IHCD.

Awardees should consider the value of using multiple data sources in order to determine the valuation of the property. Single datasets provide scope for discrepancies and as such should be avoided where at all possible. If awardees are considering using a single dataset for their valuation, please contact IHCD to confirm that it will be acceptable.

#### Person Qualified To Make The Valuation –

The requirement for meeting regulation for acquisitions valued under \$25,000 is incumbent upon the grantee – for NSP1 purposes this is IHCD. However, as all NSP1 awardees receiving funding from IHCD are contracted as sub-recipients, this requirement is passed down to awardees to comply with. This provides a greater degree of flexibility – otherwise IHCD would need to contract with suitably qualified people all over the State to meet this need. That would be unnecessarily onerous in terms of procurement, and would be excessively expensive. As such, it is the responsibility of the awardee to procure a suitably qualified person to carry out this role, obviously meeting the requirements under Chapter 11 – Procurement of the NSP1 Award Manual.

Suitable qualifications that are acceptable to IHCD include the following:

- Real Estate Agent
- Real Estate Broker
- Licensed Appraiser
- Any other suitably qualified person that has been approved in advance by IHCD.

IHCDA are willing to consider a broad range of other suitably qualified people. The HUD NSP1 Bridge Notice is non-committal on the precise nature of such qualifications, so IHCDA are keen to offer awardees plenty of room for maneuver. In order to prevent any delays in your process, please contact IHCDA at your earliest convenience to confirm any qualifications that do not appear in the short list above.

Record-Keeping Requirements –

All awardees are required to maintain files that detail the process they have been through to establish the valuation of a property deemed to be under \$25,000. These records should include the following details:

- Name and Datasets used to provide a basis for the valuation
- Excerpts from the datasets that provide the basis for the valuation.
- Details of the qualifications of the person providing the valuation.
- Confirmation email/letter from the vendor of the property agreeing that the valuation is under \$25,000

Further Advice –

For more information on this issue, and to answer any questions please contact your regional Community Development Representative, or Peter Hunt (NSP Manager, IHCDA).